

<p>1. 2019 OPERATING AND CAPITAL BUDGET – Q2 STATUS REPORT</p> <p>BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS – 2019 T2</p> <p>RAPPORT D'ÉTAPE</p>
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COMMITTEE RECOMMENDATIONS

- 1. That Council receive this report for information.**
- 2. That Council approve that the \$7 million funding contribution received in April of 2019 from the Interim Housing Assistance Program for 2018 cost related to temporary housing be transferred to the Housing Reserve.**

RECOMMANDATIONS DU COMITÉ

- 1. Que le Conseil prenne connaissance de ce rapport aux fins d'information.**
- 2. Que le Conseil approuve le transfert au fonds de réserve pour le logement de la contribution financière de 7 millions de dollars reçue en avril 2019 du Programme d'aide au logement provisoire pour les coûts liés au logement provisoire en 2018.**

DOCUMENTATION/DOCUMENTATION

- 1. Deputy City Treasurer's report, Corporate Services Department dated 29 August 2019 (ACS2019-FSD-FIN-0003).**

Rapport de la Trésorière municipale adjointe, Direction générale des services des finances, daté le 29 août 2019 (ACS2019-FSD-FIN-0003).

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
10 September 2019 / 10 septembre 2019**

**and Council
et au Conseil
25 September 2019 / 25 septembre 2019**

**Submitted on August 29, 2019
Soumis le 29 août 2019**

**Submitted by
Soumis par:**

**Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance Services
Department / Trésorière municipale adjointe, Finances municipales, Direction
générale des services des finances**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-FSD-FIN-0003

SUBJECT: 2019 OPERATING AND CAPITAL BUDGET – Q2 STATUS REPORT

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS – 2019
T2 RAPPORT D'ÉTAPE**

REPORT RECOMMENDATIONS

- 1. That the Finance and Economic Development Committee recommend Council receive this report for information.**
- 2. That the Finance and Economic Development Committee recommend Council approve that the \$7 million funding contribution received in April of 2019 from the Interim Housing Assistance Program for 2018 cost related to temporary housing be transferred to the Housing Reserve.**

RECOMMANDATIONS DU RAPPORT

- 1. Que le Comité des finances et du développement économique recommande au Conseil de recevoir ce rapport aux fins d'information.**
- 2. Que le Comité des finances et du développement économique recommande au Conseil d'approuver le transfert au fonds de réserve pour le logement de la contribution financière de 7 millions de dollars reçue en avril 2019 du Programme d'aide au logement provisoire pour les coûts liés au logement provisoire en 2018.**

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts previously budgeted for in the corresponding period. Year-end forecasts are also presented in the second quarter report. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, actual expenditures and commitments incurred to date and the remaining amount to be spent.

The purpose of this report is to present the June 30 year-to-date operating and capital results for City Wide Tax Supported Programs and Rate Supported Programs along with providing a year-end forecast. Results for Boards and Commissions are not included with this report, specifically the results for Ottawa Police Services, Ottawa Public Library, Ottawa Public Health and Transit Services which will be presented in separate reports to their respective Boards.

Document 1 provides operating budget detail on year-to-date results for the various Departments and the 2019 Forecast. Document 2 provides a detailed listing of the capital projects and their status. Document 3 provides compensation information, showing the actual salary, benefit and the overtime costs incurred by departments for the first six months versus the full year budget.

DISCUSSION

June 30 Year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments allocate their annual budgets on a monthly or quarterly basis based primarily on experience as many costs are seasonal in nature.

A high-level corporate summary of the year-to-date net operating results and net year-end forecast for each City department is summarized below in Table 1 and discussion on significant budget variances follows. Document 1 provides additional details on the departmental position as of June 30 and the year-end forecast.

Table 1: June 30 Operating Results / Year-End Forecast (in thousands of dollars)

	YTD Net Surplus/ (Deficit)	Forecast Surplus/ (Deficit)
Tax Supported Programs		
Elected Officials	170	400
Office of the Auditor General	0	0
City Clerk & Solicitor	-204	-300
Transportation Services	-381	-500
Community and Social Services	4,672	3,735
Public Works & Environmental Services	-17,436	-19,960
City Manager's Office	4	0
Emergency and Protective Services	-705	0
Recreation, Cultural and Facility Services	129	0
Corporate Services Department	1,274	1,980
Planning, Infrastructure & Economic Development	2,253	3,000
Service Innovation & Performance Department	106	200
Non-Departmental - All Services	7,610	15,000
Crime Prevention Centre	112	0
Committee of Adjustment	-12	0
Total Tax Supported Programs	-2,408	3,555

	YTD Net Surplus/ (Deficit)	Forecast Surplus/ (Deficit)
Total Rate Supported Programs	-8,703	-1,500
Total Tax & Rate Supported Programs	-11,111	2,055

June 30 Results

The Q2 results in Table 1 show a deficit of \$2.4 million for the tax supported program and a deficit of \$8.7 million in the rate supported programs. Explanations of the major budget variances is described below.

The tax supported programs include \$4.2 million of incremental flood related expenditures that are mainly in the Transportation Services, Public Works and Environmental Services and Emergency and Protective Services departments.

The Community and Social Services surplus of \$4.7 million is derived from:

- Children Services: Due to a lower requirement to use Stabilization Initiative funding as the result of additional provincial funding to increase access and affordability
- Employment and Social Services: Related to vacancies
- Housing Services: Due to lower costs in social housing and residential services.

The surplus is partially offset by a deficit in Long Term Care compensation as a result of higher sick leave rates and the need to ensure appropriate levels of staff in the long-term care facilities.

Public Works & Environmental Services has a deficit of \$17.4 million. Minor surpluses in miscellaneous areas partially offset the winter maintenance deficit and flood related expenditures. The \$17.9 million deficit for winter maintenance is a result of the extreme winter conditions experienced in the first half of the 2019 winter season. Significant snowfall accumulation, freezing rain events and freeze thaw cycles resulted in additional snow removal, application of winter abrasives, snow clearing, and winter drainage expenditures.

Planning, Infrastructure & Economic Development had a surplus of \$2.3 million due to compensation savings from vacancies and additional revenues in Planning Services and Right of Way, Heritage and Urban Design.

The non-departmental accounts, which are accounts not linked to departmental operations, ended Q2 with a surplus of \$7.6 million. Surpluses in this area include:

- \$1.4 million related to penalties and interest on tax accounts
- \$1 million in investment income
- \$1.8 million Hydro Ottawa dividend
- \$2.2 million related to *Provincial Offences Act* revenue

The rate supported program results show a deficit of \$8.7 million. The Q2 deficit is a result of \$2.1 million of flood related expenditures and lower year to date water consumption due to the wet spring conditions.

2019 Forecast – Tax Supported Services

A surplus of \$2 million is projected for 2019 year-end, and is made up of the following forecasts:

- 1) Elected Officials: Surplus of \$400,000. This is attributed to compensation expenditure savings.
- 2) Community and Social Services: Surplus of \$3.7 million. A Housing surplus of \$5.6 million and an Employment & Social Services surplus of \$1 million partially offset with a Long Term Care deficit of \$2.9 million. The Social Services surplus is due to vacancies; the Long-Term Care deficit is a result of the impact of additional sick leave on a 24/7 operation. The Housing surplus is a result of provincial and federal money being received this year. As per the Housing Reserve By-law No. 2019-198, operating surpluses related to the housing operating budget are contributed to the housing reserve during the annual disposition of surpluses and deficits.
- 3) Public Works & Environmental Services: Deficit of \$19.9 million. This is \$2.5M higher than the current deficit which reflects the severe winter experience in the beginning of the year. The increase is a result of lower recycling revenues in Solid Waste due to declining market prices.

- 4) Transportation Services: Deficit driven by expenditures as a result of the spring flooding.
- 5) Corporate Services: Surplus of \$1.98 million. This is driven by additional revenue in water and tax billing services and compensation savings due to capital recoveries.
- 6) Planning, Infrastructure & Economic Development: Surplus of \$3 million. This is due to compensation savings from vacancies and additional revenues.
- 7) Non-departmental accounts: Surplus of \$15 million from the following:
 - \$8 million in investment income
 - \$3.2 million related to penalties and interest
 - \$4 million related to *Provincial Offences Act* revenue

Rate Supported Services - \$1.5 million deficit

A deficit of \$1.5 million is projected for 2019 year-end for the rate supported programs. The \$2.1 million incremental expenditures related to the spring flooding and lower water revenues from lower consumption in the first half of 2019 are being partially offset with additional revenue in the hotter summer months. As most of the water consumption occurs from June to September, the increased consumption over this period is forecast to offset all but \$1.5 million of the deficit in the first half of 2019.

Housing Reserve

In April 2019, the City received a financial contribution of \$7 million under the Interim Housing Assistance Program (IHAP) administered by the federal government in support of the extraordinary and incremental cost incurred related to the provision of temporary housing for asylum claimants, including irregular migrants. This funding is in recognition of cost incurred by the City of Ottawa in 2018; if it had been received in 2018, it would have offset the City funds that were used to cover these costs and the surplus in the Housing department would have been larger. As a result, staff are recommending this funding be contributed to the housing reserve to provide funding for social and affordable housing purposes as per the Housing Reserve By-law No. 2019-198.

Q2 Compensation Results

Document 3 provides compensation information showing the actual salary, benefits and overtime costs incurred by departments for Q2 versus the full year budget. The overall total actual compensation costs for the first half of 2019 were 51 per cent of the full year 2019 compensation budget which is considered normal.

Actual overtime costs as a percentage of the annual budget are 98% spent. Additional overtime costs were incurred due to flooding related support mainly in Transportation Services, Emergency & Protective Services and Public Works and Environmental Services. Additional overtime costs were also incurred in Public Works and Environmental Services where overtime usage is reflective of the seasonal nature of this service, and in the Long-Term Care Services branch of Community and Social Services, as a result of staff replacement costs due to the impact of sick leave in a 24/7 operations environment.

Budget Adjustments and Transfers

A summary of the budget adjustments and transfers made in the first half of 2019 delegated authority given to the City Treasurer is provided in the following table.

Table 2 summarizes the adjustments made that have changed the overall expenditure which are funded from external revenues.

Table 2: Budget Adjustments and Transfers Impacting Overall Expenditures (\$000's)

Nature of Budget Adjustment	Amount	Funding Source	Net Effect on Budget Revenues and Expenditures
Paramedic Service Central Ambulance Communication Centre (CACC) increase base budget for provision of dispatch services.	767	Provincial funding	Increase in revenues and increase in expenses

Nature of Budget Adjustment	Amount	Funding Source	Net Effect on Budget Revenues and Expenditures
2019 Funding contract adjustment from the Ministry of Education for Children's Services.	2,397	Provincial funding	Decrease in revenues and decrease in expenses

Capital Projects and Programs

Document 3 provides a list of City tax and rate-supported capital projects. The list identifies the lead department, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$11.5 billion, of which \$2.4 billion is uncommitted to date. Separate Q2 Status Reports will be provided to the Transit Commission and to the Boards of the Ottawa Police Service, Ottawa Public Library and Ottawa Public Health Boards and include a status on projects that are under their respective mandates.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable

ADVISORY COMMITTEE(S) COMMENTS

There are no comments by an advisory committee required for this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priority: FS2 “Maintain and enhance the City’s financial position”.

SUPPORTING DOCUMENTATION *(Held on file with the City Clerk)*

Document 1 – Operating Results June 30, 2019 and 2019 Forecast

Document 2 – Capital Works-In-Progress

Document 3 – 2019 Q2 Compensation Summary

DISPOSITION

There are no disposition requirements as this is an administrative report.